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## CAPITAL IMPROVEMENT PROGRAM FUNDS

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### Airport Capital Funds

The Airport Capital Funds finance the Airport's capital expenditures and consist of the Airport Capital Improvement Fund, the Airport Renewal and Replacement Fund, the Airport Passenger Facility Charge Fund, and the Airport Revenue Bond Improvement Fund.

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#### *Airport Capital Funds*

(\$000s)

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 185,618	\$ 57,788	\$ (127,830)	(68.9%)
<i>Expenditure</i>	396,425	116,217	280,208	70.7%
<i>Fund Balance (est. *)</i>	270,483	* 317,155	46,672	17.3%

The negative revenue variance of \$127.8 million was due primarily to the lower than budgeted use of financing for projects budgeted in the Airport Revenue Bond Improvement Fund. Originally, the Airport budgeted \$108.0 million to fund security-related projects, however, it was determined that a bond issuance was not needed this fiscal year. There was sufficient fund balance available at the beginning of the year to support the projects programmed in 2004-2005. The Airport also budgeted \$17.0 million in bond proceeds for the FMC Site Reuse Preparation project and received only \$511,000 since it is standard practice to match the amount of proceeds received to actual expenditure.

Transfers and grant revenue also tracked below budgeted levels. The full transfer to the Airport Renewal and Replacement Fund was less than budgeted largely as the result of project savings. Specifically, the Airport budgeted \$9.9 million as a transfer from the Airport Surplus Revenue Fund, but actually transferred just \$8.4 million. This resulted in a negative variance of \$1.5 million. Grant revenues were lower than anticipated by \$3.2 million due mostly to not receiving grant revenues in the same year they were budgeted. The Airport budgeted \$22.4 million in grant revenues and received \$19.2 million. The negative variances were partially offset by higher than anticipated interest earnings and Passenger Facility Charges. Interest earnings of \$5.9 million exceeded the estimate by \$3.6 million. Passenger Facility Charges were \$657,000 above the budgeted estimate.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Airport Capital Funds (Cont'd.)

The positive expenditure variance of \$280.2 million reflects unexpended project funds. The following is a list of the major unexpended projects (\$000's):

North Concourse Building	\$ 195,009
FMC Site Reuse Preparation	16,277
Airline Maintenance Facility	11,715
Noise Attenuation - Category 1B	11,375
Utility Infrastructure	9,573
Central Plant Expansion	5,335
Master Plan Misc. Precursor Projects	3,878
Taxiway Y Reconstruction	3,373
Relocate Parking Control Buildings	2,281
Extend and Strengthen Runway 30L	1,824
Checkpoint Terminal A	1,554
Electrical Distribution System	1,441
Checkpoint Terminal C	1,350
Baggage Screening Phase II	1,305
Elements of the Master Plan Studies	1,033
Building Furnishings and Modifications	642
North Concourse Roadway Mitigation	548
Public Art	540
Taxiway Z Alignment	521
Cargo Ramp Security And Taxiway Improvements	<u>520</u>
<b>Total</b>	<b>\$ 270,094</b>

The following is an explanation of major project variances:

- The North Concourse Building project variance reflects the timing of the establishment of the project's budget. Funding for this project was programmed entirely in the first year, therefore funding will continue to be rebudgeted until the project's completion.
- The FMC Site Reuse Preparation project variance reflects the timing of the establishment of this project's budget. Funding for this project was programmed entirely in the first year, therefore funding will continue to be rebudgeted until the project's completion.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Airport Capital Funds (Cont'd.)

- The Airline Maintenance Facility project is currently under review. As a result, \$11.7 million of the \$12.6 million budgeted in 2004-2005 for this project was unexpended at year-end.
- The Noise Attenuation – Category 1B project is awaiting approval from the Historic Preservation Office that will enable the continuation of the acoustical treatment of those eligible residences in the expanded noise contour area. The homes that were not awarded in 2004-2005 are anticipated for contract award in 2005-2006 and, as a result, the unexpended project funds (\$11.4 million) have been rebudgeted.
- The Utility Infrastructure project expended less than anticipated in 2004-2005 since this project has been realigned to coincide with the schedules of other projects in the CIP.
- The Central Plant Expansion project expended less than anticipated in 2004-2005 since this project has been realigned to coincide with the schedules of other projects in this CIP. The unexpended project funds (\$5.3 million) have been rebudgeted to 2005-2006 to provide for the design and construction of a new chiller and boiler to support the increased load demand of the North Concourse.
- The Master Plan Miscellaneous Precursor project funds various precursor projects related to the construction of the security projects at the Airport. Less activity has been required under this project than originally anticipated. The unexpended project funds (\$3.9 million) have been rebudgeted to 2005-2006.
- The Taxiway Y Reconstruction project has been realigned to coincide with the North Concourse Storm Sewer Relocation project in the Utility Infrastructure appropriation and the Taxiway Z Alignment project due to each project's phasing and proximity. As a result, this project expended less than anticipated in 2004-2005 (\$3.3 million) and the savings have been rebudgeted to 2005-2006, when the construction contract will be awarded for these three projects.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Airport Capital Funds (Cont'd.)

- The Relocate Parking Control Buildings project was delayed because this project's construction contract had to be rebid since the initial set of bids came in unresponsive. Therefore, the unexpended project funds (\$2.3 million) have been rebudgeted to 2005-2006 for the relocation of a complex of trailers and buildings south of the Terminal A Parking Garage to accommodate improvements being completed by the North Concourse Roadway Mitigation project.
- The Extend and Strengthen Runway 30L project variance (\$1.8 million) reflects project savings resulting from lower than estimated project expenditures.
- The Checkpoint Terminal A project is currently under review. As a result, \$1.6 million, the total modified budget in 2004-2005, was unexpended at year-end.
- The Electrical Distribution System project expended less than anticipated in 2004-2005 since this project's schedule is being aligned with that of the North Concourse whose schedule has been extended. The unexpended project funds (\$1.4 million) have been rebudgeted to 2005-2006 to provide for the construction of an electrical distribution system that supports the North Concourse.
- The Checkpoint Terminal C project is currently under review. As a result, \$1.4 million, the total modified budget in 2004-2005, was unexpended at year-end.
- The Baggage Screening Phase II project is currently under review. As a result, \$1.3 million of the \$1.5 million budgeted in 2004-2005 for this project was unexpended at year-end.
- The Elements of the Master Plan Studies project funds the studies for various projects such as land use, landscaping, parking, the fuel farm and the hydrant fueling system. At the onset of the year, a projection of Master Plan studies was prepared, but as the year progressed, there were various developments in the preparation phase that altered the original direction of the studies. As a result, the Elements of the Master Plan Studies project expended less than anticipated in 2004-2005. The unexpended project funds (\$1.0 million) have been rebudgeted to provide funding for the completion and updates of the studies related to the Airport's Master Plan projects.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Airport Capital Funds (Cont'd.)

- The Building Furnishings and Modifications project variance (\$642,000) reflects the liquidation of this project's encumbrance and project savings as the result of a reduction in the project's scope.
- The North Concourse Roadway Mitigation project was delayed since design has not yet been completed on this project. This project has now been divided into two phases. The unexpended project funds (\$548,000) have been rebudgeted to provide funding for the roadway improvements needed to support the implementation of the North Concourse.
- The Public Art project variance reflects less spending than anticipated due to the Airport Arts Program Oversight Committee selecting the Arts Activation Team late in 2004-2005. The unexpended project funds (\$540,000) have been rebudgeted.
- The Taxiway Z Alignment project has been realigned to coincide with the North Concourse Storm Sewer Relocation project in the Utility Infrastructure appropriation and the Taxiway Y Reconstruction project due to each project's phasing and proximity. As a result, this project expended less than anticipated (\$521,000) and has been rebudgeted to 2005-2006, when the construction contract will be awarded for these three projects.
- The Cargo Ramp Security and Taxiway Improvement project variance (\$520,000) reflects project savings resulting from lower than estimated project expenditures.

The remaining \$10.1 million variance involves a number of projects with less than \$500,000 in unexpended funds.

The positive 2004-2005 ending fund variance of \$46.7 million was primarily the result of lower than anticipated expenditures, partially offset by lower than estimated revenue. Portions of the expenditure savings are being recommended for rebudget to provide sufficient funding for projects in 2005-2006. The balance of the expenditure savings will remain unallocated as the Airport continues to review its CIP project priorities.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Branch Library Bond Projects Fund

In November 2000, San José voters approved a \$212 million Library bond to improve the branch library system over a ten-year period. These funds designated in the Library Bond program will support the reconstruction or replacement of 14 existing branches, and the construction of six additional branches in unserved neighborhoods.

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***Branch Library  
Bond Projects  
Fund***

**(\$000s)**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 58,733	\$ 81,121	\$ 22,388	38.1%
<i>Expenditure</i>	89,284	69,080	20,204	22.6%
<i>Fund Balance (est. *)</i>	43,064	43,045	(19)	(.0%)

General Obligation Bond proceeds and interest earnings provide the funding for this fund. The positive revenue variance of \$22.4 million is the result of higher than anticipated bond proceeds (\$21.3 million) and higher than anticipated interest earnings (\$1.1 million) on bond proceeds. In June 2005, \$21.3 million in bonds were issued to fund activity through 2005-2006. These proceeds were not included in the modified budget but were factored into the budget development of the 2006-2010 Adopted CIP.

The positive expenditure variance of \$20.2 million reflects unexpended project funds. Following are descriptions of major project variances:

- The Edenvale Branch project had an expenditure variance of \$9.7 million due to a delay in awarding the construction contract because of scope changes resulting from soaring construction costs.
- The Cambrian Branch project had an expenditure variance of \$2.0 million due to lower than estimated project management costs and unused project contingency and public art funds.
- The Almaden Branch project had an expenditure variance of \$1.3 million due to lower than estimated project management costs and unused project contingency and public art funds.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Branch Library Bond Projects Fund (Cont'd.)

- The Berryessa Branch project produced savings of \$1.2 million due to a lower than estimated construction contract award and unused project contingency funds.
- The Land Acquisition project had an expenditure variance of \$1.2 million due to the difficulty in locating a site for the new Southeast Branch.
- The Hillview Branch project had an expenditure variance of \$1.1 million due to unused project contingency and public art funds.
- The Pearl Avenue Branch project had an expenditure variance of \$1.0 million due to a delay in hiring the project architect resulting from the RFQ process.
- The Willow Glen Branch project had an expenditure variance of \$724,000 due to a delay in hiring the project architect resulting from the RFQ process.
- The Tully Community Branch project produced savings of \$506,000 due to unused project contingency funds

With the exception of the Tully Community Branch and Berryessa Branch projects, any unexpended project funds have been or will be rebudgeted to 2005-2006 to ensure adequate funding to complete the projects. The majority of these savings were anticipated and rebudgeted to 2005-2006, with the remaining balance recommended for rebudget and over expended amount to be reduced as part of this document.

The 2004-2005 ending fund balance is \$19,000 lower than the estimate used in the development of the 2005-2006 Adopted Capital Budget primarily due to higher than anticipated project expenditures (\$1.07 million), partially offset by higher than estimated revenues (\$1.05 million).

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Building and Structure Construction Tax Fund

The Building and Structure Construction Tax is a tax on residential, commercial and industrial development. The use of these funds, along with grant revenue, is restricted to traffic capital improvements on major arterials and collectors, including bridges, culverts, lighting, and traffic control systems that increase traffic volume.

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***Building & Structure  
Construction Tax  
Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 16,542	\$ 17,140	\$ 598	3.6%
<i>Expenditure</i>	53,076	29,746	23,330	44.0%
<i>Fund Balance (est. *)</i>	20,926 *	29,625	8,699	41.6%

Total revenues of \$17.1 million include receipts from the Building and Structure Construction Tax, grants from the federal government for various Intelligent Transportation Systems and seismic bridge retrofit projects, developer contributions and interest earnings.

The positive revenue variance (\$598,000) was primarily due to stronger than anticipated receipts for the Building and Structure Construction Tax (\$1.8 million), combined with project delays that impact the timing of reimbursements from other agencies. At \$11.0 million, Building and Structure Construction Tax receipts in 2004-2005 were 22.3% (\$2.0 million) higher than 2003-2004 collections (\$9.0 million), and they outperformed deliberately conservative 2004-2005 estimates of \$9.15 million (estimates were exceeded by \$1.85 million). However, receipts remained 37% below 2000-2001 record revenues of \$17.4 million.

In addition, delays in certain projects contributed to delays in reimbursements from other agencies. The largest of these were delays in the Bailey Avenue project, which contributed to delayed receipt of \$1.1 million in revenues from the State Grade Separation Fund. In addition, delays in Intelligent Transportation Systems (ITS) projects impacted reimbursements by federal grants. For example, the reimbursement for the ITS: Regional Signal Coordination project was \$383,000 below the budgeted estimate due to project delays. The project schedule was slowed to allow City staff to combine efforts with another project and increase grant competitiveness. This project was also impacted by a delay in a Valley Transportation Authority (VTA) project that is providing the software upgrade for the signal management system in this project.



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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Building and Structure Construction Tax Fund (Cont'd.)

Many of the delays were anticipated, and revenue for five projects was rebudgeted into 2005-2006 as part of the Adopted Capital Budget (\$378,000).

Unexpended project funds resulted in a \$23.3 million positive variance in budgeted program expenditures. Almost all of these funds have been rebudgeted into 2005-2006 or will be recommended for rebudget with this document to ensure sufficient funding for projects in the current year. The variance between budgeted and actual expenditures was caused primarily by the following projects with significant expenditure variances (\$000's):

Branham Lane Improvements	\$ 3,242
Oakland Road: Route 101 to Montague	3,230
Senter Road: Tully to Singleton	2,512
Route 880: Stevens Creek Interchange Upgrade	2,099
Traffic Signals	2,093
Taylor Street: First to Coleman	1,460
Lucretia Avenue: Story to Phelan	1,037
North San José Traffic Mitigations	750
Union Avenue at Los Gatos – Almaden Road	641
Quito Road: Saratoga to Bucknall	615
Hostetter Road: Sierra Creek to Stone Creek	597
Senter Road: Singleton to Monterey	440
Curb Accessibility	410
ITS: Regional Signal Coordination	392
Bailey/Route 101 Improvements	371
ITS: Transportation Incident Management Center	<u>357</u>
<b>Total</b>	<b>\$ 20,246</b>

Following are descriptions of the projects' variances:

- The Branham Lane Improvements project was delayed by property acquisition difficulties. These land acquisition issues were factored into the schedule included in the 2006-2010 CIP.
- The Oakland Road: Route 101 to Montague project was delayed by the redeployment of staff to the San José Grand Prix.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Building and Structure Construction Tax Fund (Cont'd.)

- The Senter Road: Singleton to Monterey project was also delayed by the redeployment of staff to the San José Grand Prix.
- The Route 880: Stevens Creek Interchange funding that was to have been transferred to the VTA in 2004-2005 will now be transferred to the VTA during 2005-2006 subsequent to approval of the cooperative agreement.
- The Traffic Signals project funds several signals projects each year. A number of the signals originally programmed for award in spring 2005 were not awarded during 2004-2005, and this money will be recommended for rebudget into 2005-2006 to support completion of the signals. The award delays were caused in part by new State architecture review requirements as discussed further in the Fall 2005 Quarterly CIP Report.
- The Taylor Street: First to Coleman project study was completed in summer 2004. The construction phase of the project is now anticipated in 2005-2006, as reported in the Fall 2005 Quarterly CIP Report. This revised schedule was also incorporated in the development of the 2006-2010 CIP.
- The Lucretia Avenue: Story to Phelan project was delayed due to land acquisition issues. The revised schedule anticipates construction completion in the 4<sup>th</sup> Quarter of calendar year 2006. This revised schedule was assumed in the development of the 2006-2010 CIP.
- The North San José Traffic Mitigation project was delayed due to site selection and scoping issues.
- The Union Avenue at Los Gatos – Almaden Road project was delayed by scope modifications required by a historic wall located within the project boundaries. Following guidelines set by the Historic Landmarks Commission, the project was modified to minimize impacts on the historic site. The revised schedule was included in the development of the 2006-2010 CIP.
- The Quito Road: Saratoga to Bucknall project award was delayed when staff was redeployed to the San José Grand Prix.
- The Hostetter Road: Sierra Creek to Stone Creek project was largely completed in July 2004. The remaining funds will be used to implement traffic calming improvements

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upon completion of a study to assess traffic calming needs in the neighborhood surrounding the project area.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Building and Structure Construction Tax Fund (Cont'd.)

- The Senter Road: Singleton to Monterey project generated savings as a result of scope revisions. These savings will be returned to fund balance and were assumed and reprogrammed to support other Traffic projects in the development of the 2006-2010 CIP.
- The Curb Accessibility project funds were not fully expended in 2004-2005 and the savings will be recommended for rebudget for specific curb accessibility improvements throughout the City.
- The ITS: Regional Signal Coordination project's procurement of traffic controllers and hardware was deliberately postponed due to a change in procurement process required for competitiveness and to combine efforts with another project. The schedule was further delayed by VTA's decision to hold off implementation of another related project, which is providing the software upgrade for the signal management system.
- The Bailey/Route 101 Improvements project was slowed by the shift in construction management responsibility from the VTA to City staff for the riparian mitigation portion of the project, which is a small portion of the Bailey/101 improvements.
- The ITS: Transportation Incident Management Center project faced several complications, including a delay in the connection work between old and new City Halls that required rescoping after it was ascertained that a duct bank that was to be used for the connection was not a feasible option. In addition, delays associated with the vendor providing the infrastructure management system for the new Center impacted the project schedule.

The remaining variance (\$3.1 million) reflects unexpended funds in a number of projects with balances of less than \$300,000.

The 2004-2005 ending fund balance variance of \$8.7 million is the result of higher than estimated revenues (\$1.5 million) combined with lower than estimated expenditures (\$7.2 million). Most of these expenditure savings are recommended for rebudget as part of this report to provide sufficient funding for projects in the current fiscal year.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### City Hall Renovation Construction Fund

The City Hall Renovation Construction Fund was established in 2002-2003 to account for the revenues and construction costs related to the renovation of the old City Hall.

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***City Hall Renovation  
Construction Fund***

***(\$000s)***

	<b>Budget</b>		<b>Actual</b>		<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$	1	\$	1	\$ -	0.0%
<i>Expenditure</i>		67		67	-	0.0%
<i>Fund Balance (est. *)</i>		- *		-	-	N/A

Because the renovation of the old City Hall is not moving forward at this time, this fund is no longer necessary. In 2004-2005, the transactions in this fund were associated with its final closeout. This included the transfer of interest earnings (\$895) and the fund balance (\$65,639) that was generated from commercial paper proceeds to the Civic Center Parking Fund that also is using commercial paper as an interim funding source.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Civic Center Construction Fund

The Civic Center Construction Fund accounts for the expenditure of bond proceeds for the new Civic Center project.

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***Civic Center***  
***Construction Fund***  
***(\$000s)***

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 7,626	\$ 2,587	\$ (5,039)	(66.1%)
<i>Expenditure</i>	103,717	96,028	7,689	7.4%
<i>Fund Balance (est. *)</i>	17,919 *	15,102	(2,817)	(15.7%)

In 2004-2005, revenues were below the budgeted estimate due to lower than anticipated commercial paper proceeds (\$3.6 million) and interest earnings (\$1.5 million). Commercial paper is an interim funding source that will be used to cover a portion of the construction costs until lease revenue bonds are issued to complete the funding for the new City Hall and the off-site parking garage. Commercial paper is issued as necessary to cover actual expenditures incurred. Although interest earnings in 2004-2005 exceeded expectations, a budgeted transfer of \$2.73 million of interest earnings was delayed to 2005-2006, resulting in the negative revenue variance.

Expenditures ended the year \$7.7 million below the budgeted level. Almost all of the variance was in the Construction (\$7.6 million) allocation with smaller variances in the Design and Construction Management (\$86,000) and Consultants (\$15,000) categories. The lower expenditure level was anticipated at the end of the 2004-2005 and the majority of the funds were rebudgeted in the 2005-2006 Adopted Capital Budget. Rebudget adjustments are recommended in this report to adjust the 2005-2006 appropriations based on actual year-end expenditures.

In 2004-2005, the actual expenditures and encumbrances of \$96.0 million were spread as follows:

- \$84.5 million from the Construction allocation was used to complete major construction phases of the project, which included site concrete, landscaping, battered wall, doors and hardware, voice and data cabling, mechanical, electrical, plumbing, and tenant improvement contracts.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Civic Center Construction Fund (Cont'd.)

- \$7.0 million from the Consultants allocation was used primarily to finalize various design elements and for construction management services. Other consultant services were provided for commissioning services and testing and inspection services.
- \$3.3 million was spent from the Public Art allocation to complete the major water feature that will be located in the City Hall plaza and the Civic Center Streetscape ten ceramic clad “floats” and six related columns.
- \$1.2 million was spent from the Design and Construction Management allocation to continue the project oversight.

The 2004-2005 ending fund balance was \$2.8 million below the estimate used in the development of the 2005-2006 Adopted Capital Budget due to lower than estimated revenues (\$5.0 million) that were partially offset by lower expenditures (\$2.2 million). The revenue estimate for 2005-2006 is recommended to be increased by \$6.5 million to reflect commercial paper proceeds that are now anticipated to be received in 2005-2006 to complete the funding for the construction project (\$3.6 million) and interest earnings (\$2.9 million). The expenditure savings are also recommended to be rebudgeted to 2005-2006 to finish the construction project.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Civic Center Improvement Fund

The Civic Center Improvement Fund was established in 2003-2004 to account for the technology, furniture, equipment and relocation costs associated with the new City Hall.

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***Civic Center  
Improvement Fund***  
**(\$000s)**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 45,250	\$ 7,777	\$ (37,473)	(82.8%)
<i>Expenditure</i>	42,236	22,876	19,360	45.8%
<i>Fund Balance (est. *)</i>	8,500 *	(16,113)	(24,613)	(289.6%)

When the budget for this fund was established in January 2004, it was assumed that \$45.25 million in commercial paper would be issued to support technology, furniture, equipment, and relocation costs associated with the new City Hall. The commercial paper (CP) program allows the City greater flexibility on how bonds are used to fund projects. Since the City has committed to a CP program that is pre-authorized, the City may issue commercial paper up to the full amount of the capacity of the program to fund expenditures. Because CP reimburses for actual expenditures rather than encumbrances, there is a timing difference between when an encumbrance is made, when the actual expenditure is paid, and, ultimately, when the commercial paper notes are issued to fund the expenditures. In 2004-2005, commercial paper notes of \$7.8 million were issued based on the timing of the expenditures. The actual 2004-2005 expenditures of \$16.4 million will be fully reimbursed in 2005-2006 and the encumbrances of \$6.5 million will be reimbursed after the actual expenditures are made. With this financing mechanism, a negative fund balance resulted at the end of 2004-2005 due to the timing of payments. After the reimbursements are received, the fund balance will no longer be negative.

The expenditure variance totaled \$19.4 million based on the timing for the acquisition of technology, furniture, and equipment items. The lower expenditure level was anticipated at the end of the 2004-2005 and the majority of the funds (\$10.8 million) were rebudgeted in the 2005-2006 Adopted Capital Budget. A rebudget adjustment is recommended in this report to rebudget the remaining funds for this project. It should be noted that the Administration is making every effort to lower the cost of the furniture, equipment, and technology by 15%, per City Council direction. Based on contract awards through 2004-2005, savings of 15-20% (\$7-9 million) are anticipated.



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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Civic Center Improvement Fund (Cont'd.)

The 2004-2005 ending fund balance was \$24.6 million below the estimate used in the development of the 2005-2006 budget due to lower than anticipated revenues (\$35.2 million), partially offset by lower expenditures (\$10.6 million). It is anticipated that the commercial paper will be issued in 2005-2006 to support all of the expenditures in this fund.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Civic Center Parking Fund

The Civic Center Parking Fund accounts for the expenditure of bond proceeds for the new Civic Center off-site parking garage. In 2001-2002, this fund also accounted for the new Civic Center on-site parking garage.

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***Civic Center  
Parking Fund***  
***(\$000s)***

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 36,692	\$ 16,626	\$ (20,066)	(54.7%)
<i>Expenditure</i>	39,119	37,410	1,709	4.4%
<i>Fund Balance (est. *)</i>	536 *	(17,986)	(18,522)	(3,455.6%)

In 2004-2005, revenue was generated from commercial paper proceeds (\$1.6 million), proceeds from participation in the State of California Vehicle License Fee Gap Loan Receivable Financing Program (\$14.8 million), interest earnings (\$133,000) and a transfer of commercial paper proceeds from the City Hall Renovation Construction Fund (\$67,000). The revenue variance of \$20.1 million is due to lower than budgeted commercial paper proceeds. When the 2004-2005 Adopted Capital Budget was developed, it was assumed that commercial paper proceeds would be used as an interim financing source until lease revenue bonds were issued to complete the funding for the new City Hall and the off-site garage. Because commercial paper reimburses for actual expenditures rather than encumbrances, there is a timing difference between when an encumbrance is made, when the actual expenditure is paid, and, ultimately, when the commercial paper notes are issued to fund the expenditures. In 2004-2005, \$1.7 million of commercial paper notes were issued based on the timing of the 2004-2005 expenditures. The actual 2004-2005 expenditures of \$2.9 million will be fully reimbursed in 2005-2006 and the encumbrances of \$19.7 million will be reimbursed after the actual expenditures are made. With this financing mechanism, a negative fund balance resulted at the end of 2004-2005 due to the timing of payments. After the reimbursements are received, the fund balance will no longer be negative.

In 2004-2005, a portion of the commercial paper that had previously been issued for the Off-site Garage project was redeemed. In February 2005, the City Council approved the City's participation in the State of California Vehicle License Fee Gap Loan Receivable Financing Program and committed the proceeds to cash fund a portion of the new City Hall off-site garage. The \$14.8 million received under this program was transferred to the Fiscal Agent to redeem commercial paper previously issued for the off-site garage.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Civic Center Parking Fund (Cont'd.)

Expenditure variances totaled \$1.7 million (4.4%) in the New Civic Center Parking Garage appropriation. The majority of these expenditure savings was anticipated at the end of 2004-2005 and rebudgeted in the 2005-2006 Adopted Capital Budget. The remaining expenditure savings (\$390,000) are recommended for rebudget as part of this report.

The 2004-2005 ending fund balance was \$18.5 million below the estimate used in the development of the 2005-2006 budget due to lower than anticipated commercial paper proceeds (\$18.9 million), partially offset by lower expenditures (\$390,000). It is anticipated that the commercial paper will be issued in 2005-2006 to support all of the expenditures in this fund.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

### Construction and Conveyance Tax Funds

The Construction Tax is a flat fee assessed on residential, commercial, and industrial development. The Conveyance Tax is imposed at a rate of \$3.30 per \$1,000 of the value of the conveyed property. Revenues collected in the Construction and Conveyance Tax Funds are dedicated to the Parks and Community Facilities Development, Communications, Fire, Library, and Service Yards capital programs.

#### *Construction and Conveyance Tax Funds*

<i>(\$000s)</i>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 64,667	\$ 73,005	\$ 8,338	12.9%
<i>Expenditure</i>	79,661	58,574	21,087	26.5%
<i>Fund Balance (est. *)</i>	76,825 *	86,513	9,688	12.6%

Revenues in 2004-2005 included: Construction and Conveyance tax receipts; transfers between funds; State and federal grants; interest; and miscellaneous revenues.

The elements of the revenue variance were as follows:

	<b><u>(\$000's)</u></b>
Construction and Conveyance Tax Revenue	\$ 8,957
Transfers of Construction and Conveyance Revenue between funds	4,263
Interest Earnings and Miscellaneous Revenues	590
Grants	<u>(5,472)</u>
<b>Total</b>	<b>\$ 8,338</b>

In 2000-2001, Construction and Conveyance Tax revenues reached a historical high of \$31.6 million. Due to the economic slowdown, which impacted real estate sales, there were significant declines in this revenue in 2001-2002 and 2002-2003 (down to \$24.8 million). In 2003-2004, however, there was a sharp increase in activity in the local real estate market that resulted in a new record-setting collection level of \$38.2 million. When preparing the 2004-2005 Adopted Capital Budget, there was an expectation that there would be a slowdown in the real estate market that would result in lower revenue collections. Surprisingly, receipts for 2004-2005 totaled \$46.7 million, an increase of \$8.5 million (22%) from the prior year. These revenues far exceed the estimated collection level of approximately \$38 million. Consistent with the increase

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

### Construction and Conveyance Tax Funds (Cont'd.)

in Construction and Conveyance Tax revenues, the single-family median home price as of June 2005 was \$706,000, 21% higher than the June 2004 figure of \$585,000. Similarly, the number of real estate sales in San José in 2004-2005 rose from the prior year, with an increase of 4%. Performance in both of these areas exceeded our expectations given the state of the local economy.

The higher than anticipated tax collections also positively impacted the transfer category because of the methodology used to distribute the tax revenue to individual Parks Construction and Conveyance Tax funds.

The positive interest earnings and miscellaneous revenues variance was due to higher than expected average cash balances. Grant revenue on the other hand was below anticipated levels because many of the grants are paid on a reimbursement basis and the work on the eligible projects has not yet been completed. In addition, a number of the projects were recently completed, but the reimbursement requests have not yet been finalized. Many of these grants are expected to be received in 2005-2006.

The expenditure variance of \$21.1 million, or 26.5%, is primarily the result of unexpended capital project funds. The majority of these expenditure savings were anticipated and the funds were rebudgeted to 2005-2006 to complete these projects. Additional rebudgets are recommended in this report to provide sufficient funding to complete the projects.

The following is a list of projects in which unexpended balances exceeded \$300,000:

		<u>(\$000's)</u>
Council District 1:	Youth Center-District 1	\$ 1,202
	West Community Joint Facility	307
Council District 3:	Watson Skate Park	347
Council District 8:	Mount Pleasant School District/Fernish Park	400
Council District 10:	Youth Sports Fields	1,271
Central Fund:	Parks Fixtures, Furnishings and Equipment	1,273
City-Wide:	Vietnamese Cultural Heritage Garden	841
	Alum Rock Park Creek Realignment	804
	Alum Rock Park Water Line Relocation	627
	Capital Maintenance Projects	576
Communications:	Communication Equipment Replacement	731
Fire:	Fire Apparatus Replacement and Repair	660
	Facilities Improvements	336
Library:	Libraries Fixtures, Furnishings and Equipment	2,172
Service Yards:	Central Service Yard Phase II	<u>678</u>
<b>Total</b>		<b>\$ 12,225</b>

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Construction and Conveyance Tax Funds (Cont'd.)

Following are descriptions of significant project variances:

- The Youth Center-District 1 project was delayed due to longer time needed to complete the community outreach process. This project schedule and scope have now been finalized and the project is beginning in 2005-2006.
- The West Community Joint Facility project was temporarily delayed due to the Council's direction to re-bid the project. This project was originally bid in June 2005, however, only two bid responses were received. The low bid was found to be non-responsive, and the 2<sup>nd</sup> bid was significantly above the engineer's estimate. Council rejected all the bids and approved staff's recommendation to re-bid the project.
- The implementation of the Watson Skate Park project was put on hold due to the discovery of contaminated soil at Watson Park. All project costs will be returned to the Council District 3 Construction and Conveyance Tax Fund Ending Fund Balance and will be available for other uses in the future.
- The Mount Pleasant School District/Fernish Park project is temporarily on hold. This project will supplement the School District's funding for improving the school fields adjacent to Fernish Park. Due to a change in administration and budget reductions at the School District, the additional funds are not currently available.
- The Youth Sports Field project is temporarily on hold pending a site being found in Council District 10.
- The Parks and Library Fixtures, Furnishings and Equipment project had an expenditure variance due to the delay in the completion of several projects, which delayed the purchase of furniture, fixtures and equipment. These purchases, however, are scheduled to be made in 2005-2006.
- The Vietnamese Cultural Heritage Garden project provides funding for the City's agreed upon contribution for the Vietnamese Cultural Heritage Garden relocation to Kelley Park. In 2004-2005, the full contribution amount was budgeted for this project, however, based on Council approved negotiations, the City will be providing the funding to the Vietnamese Historical Society in two installments based on contractually agreed upon development milestones.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Construction and Conveyance Tax Funds (Cont'd.)

- The Alum Rock Park Creek Realignment project had an expenditure variance because the regulatory agencies do not support the realignment of the creek. The City is expecting written verification of project status by the agencies by October 2005.
- The Alum Rock Park Water Line Relocation project had an expenditure variance because the construction contract was not awarded until 2005-2006. All project funds are expected to be expended in 2005-2006.
- The Capital Maintenance Projects allocation in the City-wide Construction and Conveyance Tax Fund had an expenditure variance because the Parks, Recreation and Neighborhood Services Department had not finalized its listing of projects that will be completed with this funding. The Department is currently prioritizing eligible projects and will begin work in 2005-2006.
- The Communication Equipment Replacement project had an expenditure variance because staff were not able to purchase all of the equipment by the end of the fiscal year. These purchases will be made in 2005-2006.
- The Fire Apparatus Replacement and Repair project has an annual allocation and budgeted funds are expended each year based on the approved apparatus replacement schedule. All year-end balances are carried over to the following year to fund apparatus replacement.
- The Fire Facilities Improvements had unexpended funds at year-end because a number of projects that were to be funded by this annual allocation were not completed in 2004-2005. The unexpended funds will be rebudgeted to 2005-2006 to complete those projects.
- The Library Furniture, Fixtures and Equipment allocation provides funding to outfit the General Obligation Bond-funded libraries. All unexpended funds are carried over to the following year to purchase the necessary furniture, fixtures and equipment for the new and remodeled libraries as these facilities come on line.
- The Central Service Yard Phase II project had a year-end variance of \$678,000 because the design phase of the project began later than originally planned. Unexpended funds will be rebudgeted to 2005-2006.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Construction and Conveyance Tax Funds (Cont'd.)

The 2004-2005 ending fund balance in the combined Construction and Conveyance Tax Funds was \$9.7 million greater than the budgeted estimate primarily due to higher than anticipated Construction and Conveyance Tax revenue, partially offset by lower than anticipated grant receipts. For purposes of developing the 2005-2006 Adopted Capital Budget, it was assumed that Construction and Conveyance Tax revenues would total \$38.0 million in 2004-2005. This was \$8.7 million below the actual collection level. These additional funds are recommended in this report to be distributed to the various Construction and Conveyance Tax funds according to the regular formula.



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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

### Construction Excise Tax Fund

The Construction Excise Tax, also referred to as the Commercial, Residential, and Mobile Home Park Building Tax, is a tax on construction of residential, commercial, and mobile home developments. This general purpose tax is based on building valuation, with revenues in the fund historically being used primarily for traffic improvements.

#### *Construction Excise Tax Fund*

<i>(\$000s)</i>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 17,294	\$ 18,458	\$ 1,164	6.7%
<i>Expenditure</i>	37,621	26,629	10,992	29.2%
<i>Fund Balance (est. *)</i>	12,714 *	21,966	9,252	72.8%

Total revenues of \$18.5 million include receipts from the Construction Excise Tax, State and federal grants, developer contributions, interest, and other miscellaneous revenues.

The positive revenue variance (\$1.2 million) is due primarily to stronger than anticipated receipts in the Construction Excise Tax (\$1.1 million variance), as well developer contributions for the North San José Deficiency Plan Fee (\$191,000), which were partly offset by project delays that impacted the timing of reimbursements from the Federal Emergency Management Agency (FEMA) for the Ortho Photo project (negative \$73,000 variance). At \$15.3 million, Construction Excise Tax receipts in 2004-2005 were 9.4% (\$1.3 million) higher than 2003-2004 collections (\$14.0 million), and they outperformed deliberately conservative 2004-2005 estimates of \$14.2 million (estimates were exceeded by \$1.1 million). However, receipts remained 26.4% below 2000-2001 record revenues of \$20.7 million.

Unexpended project funds resulted in an \$11.0 million positive variance in budgeted program expenditures. The variance to budget was caused primarily by the following projects with significant expenditure variances (\$000's):

Street Maintenance	\$ 2,773
North San José Deficiency Plan Improvements	2,075
Traffic Calming	1,382
Street Maintenance – Traffic Congestion Relief Plan (TCRP)	1,288
Ortho Photo	508
Traffic Flow Management and Signal Retiming	<u>359</u>
<b>Total</b>	<b>\$ 8,385</b>

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Construction Excise Tax Fund (Cont'd.)

Following are descriptions of the projects' variances:

- The Street Maintenance project funds street maintenance for arterial and residential streets at various locations throughout the City. Work in the amount of \$4.2 million was completed on these projects in 2004-2005, and the remainder of the funds will be rebudgeted into 2005-2006 to support the completion of this work.
- The North San José Deficiency Plan Improvements project funds sidewalk improvements and congestion mitigation in the North San José area over several years. The bulk of the work is not scheduled until 2005-2006 and beyond, pending project scoping and site selection. Most of the funds were rebudgeted in the 2006-2010 CIP, with the remaining savings recommended for rebudget as part of this document.
- The Traffic Calming appropriation is an annual program funding various projects in coordination with neighborhoods and Council Offices. The remaining balance has been or will be rebudgeted into 2005-2006 to continue work on these projects.
- The Street Maintenance – TCRP project supports street maintenance at various locations in the City. Funds that were not encumbered in 2004-2005 have been or will be recommended for rebudget to continue to support street sealing work.
- The Ortho Photo project was delayed by coordination issues with partner agencies, including the County's request that the City execute a Basemap data sharing agreement prior to County authorization of Phase III (the contours phase) of the project. The agreement was fully executed on July 31, 2005, and Phase III contracts are now scheduled prior to the end of calendar year 2005.
- The Traffic Flow Management and Signal Retiming project provides funds to identify and implement traffic control and operational improvements to ensure a safe and efficient arterial roadway system. Savings were generated in 2004-2005 as staff time was diverted to higher priority Traffic CIP and transportation-related projects.

The remaining variance (\$2.6 million) reflects unexpended funds in a number of projects with balances of less than \$300,000.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Construction Excise Tax Fund (Cont'd.)

The 2004-2005 ending fund balance is \$9.3 million higher than the estimated fund balance of \$12.7 million. This variance reflects a combination of higher than estimated revenues (\$1.0 million) and lower than estimated expenditures (\$8.2 million). Most of the expenditure savings (\$7.4 million) is recommended for rebudget as part of this report to provide sufficient funding for projects in the current fiscal year.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Interim City Facilities Improvements Fund

The Interim City Facilities Improvements Fund was established in 2003-2004 to account for interim improvements to City facilities that would be necessary to continue operating these facilities.

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***Interim City Facilities  
Improvements Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 1,600	\$ 58	\$ (1,542)	(96.4%)
<i>Expenditure</i>	1,600	74	1,526	95.4%
<i>Fund Balance (est. *)</i>	1,410 *	(15)	(1,425)	(101.1%)

When the budget was developed for this fund, it was assumed that \$1.6 million in commercial paper would be issued to fund improvements to existing City facilities that would remain in use after the relocation to the new City Hall. The use of these funds was originally outlined in an interim space plan that was brought forward to the City Council in January 2004. A revised plan was submitted to the City Council in May 2005 and included the following recommendations:

1. Close the existing City Hall and Annex.
2. Occupy old Martin Luther King, Jr. (MLK) Library through June 2007 or until the date for vacating for use by the San José Museum of Art is known.
3. Occupy the Health Building with Police operations and the City Physician.
4. Relocate additional operations to the Central Service Yard.

In 2004-2005, minimal activity occurred in this fund, as the space plan had not been finalized until the end of the fiscal year. This project is funded by commercial paper that is only issued to cover actual expenditures. The lack of activity resulted in large revenue and expenditure variances in 2004-2005. The lower expenditure level was anticipated at the end of 2004-2005 and the majority of the funds (\$1.4 million) were rebudgeted in the 2005-2006 Adopted Capital Budget. A rebudget adjustment is recommended in this report to rebudget the remaining funds for this project.

The 2004-2005 ending fund balance was \$1.4 million below the estimate used in the development of the 2005-2006 Adopted Capital Budget due to lower than anticipated commercial paper proceeds (\$1.5 million), partially offset by lower expenditures (\$116,000). It is anticipated that commercial paper will be issued in 2005-2006 to support all of the expenditures in this fund.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Lake Cunningham Fund

The Lake Cunningham Fund accounts for concessionaire and parking lot revenues that are dedicated to capital improvements and maintenance of the park.

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#### *Lake Cunningham Fund*

(\$000s)

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 730	\$ 733	\$ 3	0.4%
<i>Expenditure</i>	1,223	838	385	31.5%
<i>Fund Balance (est. *)</i>	1,698 *	1,690	(8)	(0.5%)

The positive revenue variance of \$3,000 reflects the unanticipated receipt of a \$21,000 grant from the State of California and higher than anticipated interest earnings (\$3,000), partially offset by lower than anticipated lease payments (\$14,000) and parking revenue (\$6,000).

The positive variance in project expenditures (\$385,000) reflects unexpended project funds. A large portion of the variance between budgeted estimates and actual expenditures was the result of the Lake Cunningham Master Plan project (\$190,000) that experienced delays in its community meetings and early planning phase efforts. The majority of savings for projects in this fund were anticipated and \$402,000 was rebudgeted to 2005-2006 in the Adopted Capital Budget. However, several of these projects experienced higher expenditures than estimated, therefore, a total of \$44,000 is recommended to be reduced from 2005-2006 project budgets as part of this document.

The 2004-2005 ending fund balance variance of \$8,000 is the result of slightly higher than estimated revenues (\$3,000) offset by higher than estimated expenditures (\$12,000). As a result, this report includes recommendations for net downward rebudget adjustments to several expenditure appropriations based on actual 2004-2005 performance.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Major Collectors and Arterials Fund

The Major Collectors and Arterials Fund is for the collection of monies owed by developers for previously completed street improvements. Funds are also utilized for median island landscaping projects.

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***Major Collectors  
and Arterials Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 159	\$ 152	\$ (7)	(4.4%)
<i>Expenditure</i>	737	659	78	10.6%
<i>Fund Balance (est. *)</i>	1,634 *	1,719	85	5.2%

Total revenues (\$152,000) were slightly (\$7,000) lower than budgeted. The variance was due to lower than anticipated interest earnings (\$12,000) combined with higher than anticipated developer contributions (\$5,000).

The 2004-2005 ending fund balance positive variance of \$85,000 reflects higher than estimated revenues from developer contributions and interest (\$7,000), along with lower than anticipated expenditures (\$78,000). All of the expenditure savings are recommended for rebudget as part of this report to provide sufficient funding for projects in the current fiscal year.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Major Facilities Fund

The Major Facilities Fund is part of the Municipal Water System capital program. This fund receives fees associated with the connection and operation of municipal water activities for major water facilities constructed in the North San José, Evergreen, Alviso, Edenvale, and Coyote areas. Developer's fees are paid for the future construction of large water mains, reservoirs, and other large projects.

#### *Major Facilities Fund*

<i>(\$000s)</i>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 171	\$ 352	\$ 181	105.8%
<i>Expenditure</i>	2,712	1,519	\$ 1,193	44.0%
<i>Fund Balance (est. *)</i>	3,287 *	3,198	\$ (89)	(2.7%)

The positive revenue variance (\$181,000) resulted from higher than budgeted Major Facilities Fees (\$147,000), as a result of higher than anticipated development activity, and interest earnings (\$34,000).

Expenditure savings (\$1.2 million) occurred primarily due to the continuation of projects into 2005-2006. As part of the 2005-2006 Adopted Capital Budget, a total of \$1.2 million was rebudgeted for the Edenvale Well #4 (\$754,000), Gold Street Main Relocation (\$220,000) North First Street Parallel Main (\$144,000), and Major Water Facility Fee Update (\$80,000) projects; and budgeted savings of \$15,000 was reprogrammed to other projects. However, the Edenvale Well #4, Gold Street Main Relocation, and North First Street Parallel Main projects did not achieve sufficient year-end savings to cover the original rebudget amount. As a result, budget reductions are recommended in this document for the Edenvale Well #4 (\$14,000), Gold Street Main Relocation (\$3,000), and North First Street Parallel Main (\$1,000) projects.

The negative fund balance variance (\$89,000) resulted from the combination of higher than estimated expenditures (\$255,000) partially offset by higher than estimated revenues (\$166,000). On the expenditure side, as described above, the Edenvale Well #4, Gold Street Main Relocation, and North First Street Parallel Main projects did not achieve sufficient year-end savings to cover the rebudget amount included in the 2005-2006 Adopted Capital Budget. Additional funding for the North First Street Parallel Main (\$240,000) project was approved by the City Council in June 2005 in order to provide sufficient funding for construction award. As previously mentioned, a downward adjustment to this appropriation is recommended in this document, however sufficient funding is available for this project to be completed in 2005-2006.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Neighborhood Security Act Bond Fund Projects

On March 5, 2002, 72% the voters in San José approved Measure O, the “9-1-1, Fire, Police, Paramedic and Neighborhood Security Act” (Neighborhood Security Act Bond Measure). This bond measure authorized the City to issue General Obligation Bonds (G.O. Bonds) in an amount not to exceed \$159 million to fund projects in both the Police and Fire Departments.

***Neighborhood Security  
Act Bond Fund  
Projects***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 79,003	\$ 40,419	\$ (38,584)	(48.8%)
<i>Expenditure</i>	44,036	6,723	37,313	84.7%
<i>Fund Balance (est. *)</i>	66,699	63,873	(2,826)	(4.2%)

G.O. Bond proceeds and interest earnings provide the funding for this fund. The negative revenue variance of \$38.6 million is the result of lower than budgeted bond proceeds (\$39.4 million), partially offset by higher interest earnings (\$762,000) generated from the 2003-2004 bond proceeds. Revenue from G.O. Bonds totaling \$78.8 million was budgeted in 2004-2005. However, the actual bond issuance was lower than budgeted due to changes in the timing of program needs which required a lower funding level than what was originally budgeted. Actual receipts reflected revised funding requirements for 2004-2005.

The expenditure savings of \$37.3 million reflect unexpended project funds. About \$37.2 million savings were anticipated and included in the 2005-2006 Adopted Capital Budget. Rebudget of estimated savings included the following projects: South San José Substation (\$16.2 million), Fire Station 34 (\$2.8 million), Fire Training Center (\$4.6 million), Land Acquisition for new fire stations (\$3.2 million), Public Art funding (\$2.2 million), Fire Station Relocation projects (\$2.3 million), and Police Community Policing Centers (\$4.0 million). In addition, the rebudget of year-end project savings for Fire Station 25 Relocation (\$390,000) and for Land Acquisition for new fire stations (\$100,000) is included in this document. Other recommendations include downward adjustments to projects where the year-end expenditures were higher than estimated and include: Fire Station 34 (\$77,000), Fire Station 35 (\$39,000), Fire Station Upgrades (\$74,000), and Public Art funding (\$110,000).



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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Neighborhood Security Act Bond Fund Projects (Cont'd.)

The 2004-2005 ending fund balance is \$2.8 million lower than the estimate used in the development of the 2006-2010 Adopted CIP, primarily due to lower than estimated proceeds from bond sales (\$3.5 million), partially offset by higher interest earning (\$505,000) and net expenditure savings (\$165,000). As previously discussed, various adjustments amounting to a net additional \$118,000 in rebudgets are included in this document. It is anticipated that sufficient bond proceeds will be available in 2005-2006 to fund projected expenditure levels in 2005-2006.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Park Trust Fund

The Park Trust Fund accounts for a fee received from developer's in-lieu of land dedicated for park and recreation development in residential areas. Monies in this fund, including interest earnings, must be expended solely for the acquisition or improvements of parkland within the residential areas where the in-lieu fees were paid.

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#### *Park Trust Fund*

<i>(\$000s)</i>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 288	\$ 17,371	\$ 17,083	5931.6%
<i>Expenditure</i>	11,106	6,001	5,105	46.0%
<i>Fund Balance (est. *)</i>	50,442 *	60,916	10,474	20.8%

Under current City Council policy, in-lieu fee revenues in the Park Trust Fund are recognized and budgeted in the year following the receipt of the funds, in recognition of the fact that these revenues cannot be reasonably estimated from year-to-year. As a result, there are typically large positive revenue variances each year. In 2004-2005, this positive variance is primarily the result of in-lieu fees (\$9.4 million), a transfer from the Redevelopment Agency for the Low Income Housing Fee Program (\$5.5 million), interest earnings (\$1.2 million) and reimbursements from the low-income housing voucher program (\$626,000).

The expenditure variance of \$5.1 million is primarily due to project delays. Projects with significant variances include the following:

- The Backesto Park Renovation project (\$902,000) was delayed due to the ongoing community input process, an example of which has resulted in the development of design documents for the installation of pedestrian lighting around the perimeter of the park. Funding remains for additional projects that may be brought forward at a later date.
- The Mise Skate Park project produced savings of \$560,000. The project has been placed on indefinite hold due to community concerns. A portion of these project funds will be made available for future projects.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Park Trust Fund (Cont'd.)

- The Camden Park Renovation project (\$411,000) was delayed due to the community input process for the park.
- The Columbus Park Restroom and Ballfields project (\$347,000) had a variance as the result of delays for the contract award for the restroom project and a design delay for the ballfield project.
- The District 3 Dog Park Development project (\$311,000) was delayed due to site constraints at the proposed site at Guadalupe Gardens. Currently, the department is looking into placing the facility at another site.
- The Hacienda Creek Park project, a turnkey park, had a variance of \$294,000 since the invoice from the builder has not yet been remitted for payment. Once the invoice is received, payment will be made for the City's portion of the costs to build this park.
- The Rubino Park Improvements project (\$226,000) was delayed due to changes in the scope of the project as a result of additional community input. This will result in a portion of the funding being reallocated towards a Council District 6 dog park project.
- The Floyd and Locust Park Expansion project had an expenditure variance of \$215,000 since the Department of Public Works was still waiting to process retention payments to the building contractor.
- The Flickinger Park Improvements project, a turnkey park, had a variance of \$203,000 since the invoice from the builder has not yet been remitted for payment. Once the invoice is received, payment will be made for the City's portion of the costs to build this park.

The 2004-2005 expenditure savings have been or will be rebudgeted to ensure sufficient funding is available to complete the Park Trust Fund projects.

The 2004-2005 ending fund balance variance of \$10.5 million is primarily the result of higher than anticipated revenue received in the latter half of 2004-2005. These funds will be programmed into the 2006-2007 Proposed Capital Budget.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Parks and Recreation Bond Projects Fund

On November 7, 2000, San José voters approved a bond measure totaling \$228 million to finance the construction of improvements to regional and neighborhood parks and recreation facilities over a ten-year period. This fund was established to account for the expenditure of those bond proceeds.

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***Parks and Recreation  
Bond Projects Fund***

	(\$000s)				
	Budget	Actual	Variance	Percent Variance	
Revenue	\$ 46,000	\$ 47,781	\$ 1,781	3.9%	
Expenditure	84,949	37,989	46,960	55.3%	
Fund Balance (est. *)	51,431 *	51,855	424	0.8%	

General Obligation Bond proceeds (G.O. Bonds) and interest earnings provide the funding for this fund. The positive revenue variance of \$1.8 million reflects the interest earnings that were not included in the development of the 2004-2005 Adopted Capital Budget.

The positive expenditure variance of \$47.0 million reflects unexpended project funds. Following are descriptions of major project variances:

- The Happy Hollow Park and Zoo Renovations and Improvements project generated a large portion of this variance (\$27.0 million) due to the development of an updated design and construction schedule.
- The Roosevelt Community Center project reflects a variance of \$2.9 million as the result of a change with the land acquisition schedule. Land was originally planned for acquisition in 2004-2005, however the negotiations have taken longer than anticipated and the acquisition of the properties will now occur in 2005-2006.
- The Los Gatos Creek Trail Reach IV project produced a variance of \$2.7 million as the result of project delays since the acquisition of properties necessary for development of the trail consumed more time than initially projected. Additionally, staff is still in the process of acquiring review and approval by Caltrans of the Highway 280 underpass.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Parks and Recreation Bond Projects Fund (Cont'd.)

- The Almaden Community Center project produced a variance of \$2.6 million as the result of lower than anticipated staff expenditures and lower than anticipated change order expenditures.
- The Public Art-Parks and Recreation Bond Projects produced a variance of \$2.6 million due to the delays in purchasing public art for various facilities.
- The Mayfair Community Center project produced a variance of \$1.6 million as the result of a delay in the development of the master plan process that, in turn, has delayed the selection of the consultant for design. The project is scheduled for completion in February 2009.
- The Guadalupe River Trail Reach VI project produced a variance of \$1.5 million as the result of staff's continued work with Santa Clara Valley Water District staff to define the extent of each agency's role in developing a trail along the river's levee. Coordination with Caltrans has also taken more time than originally estimated.
- The Coyote Creek Trail-Los Lagos Golf Course to Kelley Park project had a variance of \$1.1 million since the development of the master plan was expanded to include the potential need to acquire a private parcel of land. Staff coordinated extensively with the property owner and the County of Santa Clara before determining that the trail alignment would need to be rerouted partially to a roadway alignment. The master plan has been approved and staff is now proceeding with development of construction documents.
- The Almaden Lake Park project had a variance of \$1.0 million as the result of scope modifications in Phase II. This project is now scheduled for award in late 2005-2006.

The majority of savings for projects in this fund were anticipated and rebudgeted to 2005-2006 in the Adopted Capital Budget, however, several of these projects experienced higher expenditures than estimated, therefore a total of \$893,000 is recommended to be removed from 2005-2006 project budgets as part of this document.

The 2004-2005 ending fund balance is \$424,000 higher than the estimate used in the development of the 2005-2006 Adopted Capital Budget primarily due to higher than anticipated interest earnings (\$1.2 million), partially offset by higher than anticipated project expenditures (\$740,000). As mentioned above, this document includes recommendations for net downward rebudget adjustments to expenditure appropriations based on actual 2004-2005 performances.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Residential Construction Tax Fund

The Residential Construction Tax Fund accounts for taxes imposed upon the construction of single family dwelling units or mobile home lots in the City. The tax is collected and placed in the Residential Construction Tax Contribution Fund and is used to reimburse developers who constructed that portion of an arterial street which is wider than that which is normally required in connection with residential development.

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***Residential  
Construction Tax  
Fund***

<b>(\$000s)</b>	<b>Budget</b>		<b>Actual</b>		<b>Variance</b>		<b>Percent Variance</b>
<i>Revenue</i>	\$	224	\$	352	\$	128	57.1%
<i>Expenditure</i>		548		176		372	67.9%
<i>Fund Balance (est. *)</i>		578 *		1,078		500	86.5%

The positive revenue variance of \$128,000 is the result of higher than anticipated Residential Construction Tax receipts.

The positive expenditure variance primarily reflects savings in the Reimbursements to Developers for Landscaping (\$237,000), and the Reimbursement to Developers for Center Strip Paving (\$129,000) appropriations. These funds are being rebudgeted to ensure sufficient funding is available when reimbursements are processed during 2005-2006.

The 2004-2005 fund balance variance of \$500,000 is the result of higher than anticipated revenues (\$128,000) combined by lower than estimated expenditures (\$372,000), as described above.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

### San José/Santa Clara Treatment Plant Capital Fund

This fund accounts for the construction of improvements and the purchase of equipment for the Water Pollution Control Plant.

***San José/Santa Clara  
Treatment Plant  
Capital Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 39,941	\$ 35,122	\$ (4,819)	(12.1%)
<i>Expenditure</i>	157,086	139,141	\$ 17,945	11.4%
<i>Fund Balance (est. *)</i>	40,275 *	34,453	\$ (5,822)	(14.5%)

The negative revenue variance (\$4.8 million) primarily reflects lower than budgeted Silver Creek pipeline contributions (\$2.8 million), Federal Proposition 13 grant revenue (\$1.4 million) which continues to be pursued by the Environmental Services Department, and contributions from tributary agencies (\$2.4 million) resulting from the continuation of projects into 2005-2006. Contributions from tributary agencies are reimbursements of the tributary agencies portion of actual project expenses, therefore, actual project savings, described further below, offset lower than anticipated revenues. This negative variance is partially offset by higher than estimated United States Bureau of Reclamation grant revenues (\$996,000), miscellaneous revenues (\$688,000), and interest earnings (\$381,000).

Unexpended project funds resulted in a \$17.9 million positive variance in budgeted program expenditures. Savings of \$21.0 million were rebudgeted and \$100,000 were reprogrammed in the Adopted Capital Budget for 2005-2006, however sufficient savings were not achieved in the Revised South Bay Action Plan (SBAP) - South Bay Water Recycling (SBWR) Extension project to cover the original rebudget amount. As a result, a budget reduction (\$9,863,000) is recommended in this document. The following is a list of projects that had an unexpended balance exceeding \$300,000:

	<b><u>(\$000's)</u></b>
Revised SBAP - SBWR Extension	\$ 9,778
Plant Electrical Reliability	2,580
Plant Infrastructure Improvements	2,199
WPCP Reliability Improvements	1,498
Equipment Replacement	<u>574</u>
<b>Total</b>	<b>\$ 16,629</b>

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### San José/Santa Clara Treatment Plant Capital Fund (Cont'd.)

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The following is an explanation of project variances:

- Revised South Bay Action Plan (SBAP) – South Bay Water Recycling (SBWR) Extension – Savings in this appropriation resulted from the continuation of recycled water projects into 2005-2006. The Coleman Avenue connection is currently under construction and the San Jose - Santa Clara Connector Loop is in the design phase. A rebudget of \$20 million was included in the 2005-2006 Adopted Capital Budget. As previously mentioned, this project did not achieve sufficient savings to cover the original rebudget amount programmed in the 2005-2006 Adopted Capital Budget and a budget reduction is recommended as part of this document.
- Plant Electrical Reliability – Savings of \$2.6 million occurred because these funds were not needed in 2004-2005 for this project. This project was re-phased in the 2005-2006 Adopted Capital Budget and funding for electrical improvements was reprogrammed for use in future years.
- Plant Infrastructure Improvements – This annual allocation funds improvements, rehabilitation, and replacement of existing Plant infrastructure. The savings of \$2.2 million will be reprogrammed in the next budget process for future projects.
- WPCP Reliability Improvements – This project is currently under construction with completion planned in mid-2009. Of the \$1.5 million savings, \$600,000 was rebudgeted as part of the 2005-2006 Adopted Capital Budget. The remaining savings will be available for future projects.
- Equipment Replacement – This annual allocation funds the replacement and rehabilitation of WPCP equipment as needed. Savings of \$574,000 will be reprogrammed in the next budget process for future projects.

The remaining \$1.3 million variance involves a number of projects with savings of less than \$300,000.

The San José/Santa Clara Treatment Plant Capital Fund ended the year below the estimated fund balance (\$5.8 million variance) primarily due to higher than estimated levels of expenditures (\$2.8 million) and lower than estimated revenues (\$3.0 million). As discussed above, this variance will be offset by a downward adjustment to the Revised SBAP - SBWR Extension appropriation because that project did not meet sufficient savings necessary to cover the original rebudget amount included as part of the 2005-2006 Adopted Capital Budget. With this adjustment, the ending fund balance ended the year better than anticipated.



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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Sanitary Sewer Connection Fee Fund

The Sanitary Sewer fees are connection fees charged to new development to access the City's sanitary sewer system. The use of these funds are restricted to the construction and reconstruction of the system.

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***Sanitary Sewer  
Connection Fee Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 9,732	\$ 9,887	\$ 155	1.6%
<i>Expenditure</i>	18,410	9,599	\$ 8,811	47.9%
<i>Fund Balance (est. *)</i>	15,351 *	16,535	\$ 1,184	7.7%

The positive revenue variance of \$155,000 reflected higher than anticipated Connection Fees (\$153,000), interest earnings (\$180,000) and miscellaneous revenues (\$24,000), partially offset by lower than anticipated Joint Participation revenues (\$202,000). Joint Participation revenues were less than estimated due to schedule changes in several projects that lowered the amount reimbursed from other agencies.

The \$8.8 million positive expenditure variance was primarily attributed to lower than estimated project expenditures. Of this amount, \$7.6 million was rebudgeted and \$405,000 was reprogrammed in the 2005-2006 Adopted Capital Budget. Additional rebudgets of \$735,000 are recommended in this report. The following is a list of major unexpended projects (\$000's):

Edenvale Sanitary Sewer Supplement	\$ 5,942
Phase V	
Flow Monitoring Program-Master Planning	867
Miscellaneous Projects	658
Inflow and Infiltration Reduction	517
San Tomas Expressway Trunk	<u>420</u>
<b>Total</b>	<b>\$ 8,404</b>

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Sanitary Sewer Connection Fee Fund (Cont'd.)

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The following is an explanation of project variances:

- Edenvale Sanitary Sewer Supplement, Phase V – Design of this project is currently underway and continuing into 2005-2006. A rebudget of \$5.9 million was included in the 2005-2006 Adopted Capital Budget. The rebudget of an additional \$2,000 is recommended in this document for 2005-2006.
- Flow Monitoring Program-Master Planning – Savings in this category, designated for master planning and system analysis of the collection system and the Water Pollution Control Plant, resulted because these funds were not needed in 2004-2005. Funding of \$900,000 was rebudgeted in the 2005-2006 Adopted Capital Budget to fund continuing master planning activities. However, this allocation did not achieve sufficient savings to cover the original rebudget amount. A funding augmentation of \$333,000 is recommended in this document to cover these savings that were not achieved (\$33,000), and provide sufficient funding for a consultant agreement anticipated to award in 2005-2006.
- Miscellaneous Projects – Savings in this category, designated for emergency pipe repair or rehabilitation, resulted because these funds were not needed in 2004-2005. A rebudget of unexpended funding of \$658,000 is recommended for 2005-2006 in this document to fund anticipated repair projects.
- Inflow and Infiltration Reduction – Cost savings in this category, designated for responses to infiltration and inflow into the sewer system, resulted because these funds were not needed in 2004-2005. A rebudget of \$500,000 was included in the 2005-2006 Adopted Capital Budget to fund anticipated infiltration and inflow projects. The rebudget of the remaining savings (\$17,000) is recommended in this document.
- San Tomas Expressway Trunk – This project was completed in spring 2005. A rebudget of \$69,000 and a reprogramming of funding (\$368,000) was included in the 2005-2006 Adopted Capital Budget. However, this project did not achieve sufficient year-end savings to cover the original rebudget amount. As a result, a budget reduction to this project (\$16,000) is recommended in this document.

The remaining \$407,000 variance involves a number of projects with savings of less than \$250,000.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Sanitary Sewer Connection Fee Fund (Cont'd.)

In addition to the rebudgets mentioned above, project savings totaling \$75,000 is recommended for rebudget to 2005-2006 for the following projects: Monterey-Riverside Supplement (\$36,000), Monterey-Riverside Sewer (\$17,000), Public Works Equipment Maintenance and Replacement (\$13,000), and Geographic Information Systems (\$9,000).

The Sanitary Sewer Connection Fee Fund ended the year above the estimated fund balance (\$1.2 million variance) due to higher than estimated revenue collections (\$42,000) and expenditure savings (\$1.1 million). As previously described, the majority of these savings (\$735,000) are recommended for rebudget to 2005-2006 in this document.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Sewer Service and Use Charge Capital Improvement Fund

The Sewer Service and Use Charge Capital Improvement Fund receives a \$14.75 million annual transfer from the Sewer Service and Use Charge Operating Fund. These funds are used for the reconstruction of the Sanitary Sewer System.

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***Sewer Service and  
Use Charge Capital  
Improvement Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 12,922	\$ 13,657	\$ 735	5.7%
<i>Expenditure</i>	60,860	43,304	\$ 17,556	28.8%
<i>Fund Balance (est. *)</i>	13,845 *	21,469	\$ 7,624	55.1%

The positive revenue variance of \$735,000 is the result of higher than budgeted interest earnings.

The \$17.6 million positive variance in expenditures is primarily attributed to lower than estimated project expenditures. Of this amount, \$10,566,000 was rebudgeted and \$2,068,000 was reprogrammed in the 2005-2006 Adopted Capital Budget. The majority of the remaining expenditure savings are recommended for rebudget as part of this Annual Report. The following is a list of major unexpended projects (\$000's):

Edenvale Sanitary Sewer Supplement Phase V	\$ 6,915
84" RCP Interceptor	2,958
60" Brick Interceptor	2,248
Fourth Interceptor	942
San Tomas Aquino Creek Trunk	872
Fourth Ward Area	643
Third Ward Area	572
Infiltration Reduction	542
Hester-Naglee Area	525
Miscellaneous Rehabilitation Projects	453
Trimble-Morrill Sewer	<u>338</u>
<b>Total</b>	<b>\$ 17,008</b>

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Sewer Service and Use Charge Capital Improvement Fund (Cont'd.)

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The following is an explanation of project variances:

- Edenvale Sanitary Sewer Supplement, Phase V – Design of this project commenced late in 2004-2005 and is continuing into 2005-2006. A rebudget of \$6.9 million was included in the 2005-2006 Adopted Capital Budget. The rebudget of an additional \$20,000 is recommended in this document for 2005-2006.
- 84" RCP Interceptor – Phase VIB was awarded in June 2005. A rebudget of remaining project savings (\$2,958,000) to 2005-2006 is recommended for Phase VII design.
- 60" Brick Interceptor – Phase IB of this project is currently under construction and is anticipated to be completed in fall 2006. A rebudget of \$2.0 million was included in the 2005-2006 Adopted Capital Budget. Project savings of \$201,000 is recommended for rebudget for 2005-2006 in this document.
- Fourth Interceptor – This project is currently under preliminary design. A rebudget of \$900,000 was included in the 2005-2006 Adopted Capital Budget to fund continued design work. The rebudget of the remaining savings (\$42,000) is recommended in this document.
- San Tomas Aquino Creek Trunk – This project was awarded in June 2005 and is scheduled for construction in fall 2005. The remaining savings (\$872,000) is recommended for rebudget to 2005-2006 in this document to fund construction management and project closeout costs.
- Fourth Ward Area – This project is in beneficial use. A rebudget of \$150,000 to 2005-2006 is recommended in this document to fund project closeout costs.
- Third Ward Area – This project is in beneficial use. A rebudget of \$150,000 to 2005-2006 is recommended in this document to fund project closeout costs.
- Infiltration Reduction – Cost savings in this category, designated for responses to infiltration and inflow into the sewer system, resulted because these funds were not needed in 2004-2005. A \$2 million reduction to this allocation was approved by the City Council in June 2005 to fund higher priority projects. In addition, \$500,000 was rebudgeted in the 2005-2006 Adopted Capital Budget. A rebudget of the remaining savings (\$42,000) is recommended in this document for identified infiltration reduction projects in 2005-2006.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Sewer Service and Use Charge Capital Improvement Fund (Cont'd.)

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- Hester-Naglee Area – This project was completed and project savings were the result of lower than anticipated project closeout costs. Savings (\$525,000) will be reprogrammed to other projects as part of the upcoming budget process.
- Miscellaneous Rehabilitation Projects – Savings in this category, designated for emergency pipe repair or rehabilitation, resulted because these funds were not needed in 2004-2005. A rebudget of remaining savings (\$453,000) to 2005-2006 is recommended in this document.
- Trimble-Morrill Sewer – This project was completed in early 2005. A rebudget of \$100,000 of the \$338,000 in unexpended 2004-2005 funds is recommended in this document to fund project closeout costs.

The remaining \$548,000 variance involves a number of projects with less than \$300,000 in unexpended funds, and is largely attributed to delays in project awards.

Additional rebudgets totaling \$255,000 for 2005-2006 are included in this document for the following projects: Forest-Rosa Sewer (\$152,000), Flow Monitoring Program-Master Planning (\$44,000), Rosemary Area (\$28,000), Willow-Union Trunk Sewer (\$17,000), Geographic Information Systems (\$10,000), and Hobson-Walnut Area (\$4,000). The East San José project did not meet sufficient year-end savings to cover the original rebudget amount assumed in the 2005-2006 Adopted Capital Budget. As a result, a budget reduction to this appropriation (\$2,000) is recommended in this document.

The 2004-2005 ending fund balance variance (\$7.6 million) reflects the combination of higher than expected interest collections and lower than estimated expenditures. As previously described, the majority of the expenditure savings (\$5.3 million) will be rebudgeted to complete projects in 2005-2006.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Storm Drainage Fee Fund

The Storm Drainage Fees are charged to access the City's Storm Drainage System. The use of these funds is restricted to the construction and repair of the storm drainage system.

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#### *Storm Drainage Fee Fund*

*(\$000s)*

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 454	\$ 540	\$ 86	18.9%
<i>Expenditure</i>	1,039	665	374	36.0%
<i>Fund Balance (est. *)</i>	1,022 *	1,482	460	45.0%

Revenues ended the year above budgeted levels. The positive revenue variance of \$86,000 reflects higher than budgeted Storm Drainage Fees (\$65,000) and interest earnings (\$21,000).

Unexpended project funds resulted in a \$374,000 positive variance in budgeted program expenditures. Of this amount, \$315,000 of unexpended project funds related to Miscellaneous Projects (\$304,000) and the Fremont Storm Drain Improvement project (\$11,000) are recommended for rebudget in this document for 2005-2006 to fund various minor storm projects.

With the combination of higher than estimated Storm Drainage Fee collections and expenditure savings mentioned above, the fund balance in the Storm Drainage Fee Fund ended the year \$460,000 above estimated levels.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Storm Sewer Capital Fund

The Storm Sewer Capital Fund receives revenue from the Storm Sewer Operating Fund to account for capital expenditures.

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***Storm Sewer  
Capital Fund***

<b>(\$000s)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 2,648	\$ 2,649	\$ 1	0.0%
<i>Expenditure</i>	6,502	4,393	2,109	32.4%
<i>Fund Balance (est. *)</i>	1,773 *	2,412	639	36.0%

The positive revenue variance (\$1,000) is solely due to higher than budgeted interest earnings.

Unexpended project funds resulted in a \$2.1 million positive variance in budgeted program expenditures. Included in this variance is \$1.5 million that was rebudgeted in the 2005-2006 Adopted Capital Budget for the Albany-Kiely Storm Drainage Improvement Phases II, III and IV (\$408,000), Minor Neighborhood Storm Drainage Improvements (\$300,000), Guadalupe River Park Outfalls (\$235,000), Willow Glen Guadalupe Phases II and III (\$220,000), Master Planning (\$200,000) and the Fremont Storm Drain Improvement (\$108,000) projects. However, the Master Planning allocation did not achieve sufficient year-end savings to cover the original rebudget amount. As a result, a budget reduction is recommended to this appropriation in this document (\$1,000).

The following projects ended the year with additional expenditure savings and are recommended for rebudget in this document for 2005-2006: Storm Pump Station Rehabilitation and Replacement (\$145,000), Guadalupe-Willow Glen, Phases II and III (\$120,000), Off-Site C.3. NPDES Permit Implementation (\$98,000), Albany-Kiely Storm Drainage Improvements, Phases II, III and IV (\$59,000), Miscellaneous Projects (\$19,000), Fremont Storm Drain Improvement (\$9,000), Flow Monitoring System (\$8,000), Geographic Information Systems (\$6,000), and CIP Database Enhancement (\$4,000).

The 2004-2005 ending fund balance ended the year \$639,000 higher than the estimated level. The variance is attributed to expenditure savings (\$638,000) and higher than anticipated interest earnings. As described above, \$468,000 of the expenditure savings is recommended for rebudget as part of this report.



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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Underground Utility Fund

The Underground Utility Program implements City General Plan Goals and Policies, which state that the City should encourage the undergrounding of existing overhead utilities. The fund is used to establish Rule 20B Underground Utility Districts.

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***Underground  
Utility Fund***

***(\$000s)***

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 1,050	\$ 1,592	\$ 542	51.6%
<i>Expenditure</i>	1,978	639	1,339	67.7%
<i>Fund Balance (est. *)</i>	1,396 *	2,903	1,507	108.0%

The positive revenue variance of \$542,000 is the result of higher than anticipated developer in-lieu fees.

The positive expenditure variance of \$1.3 million primarily reflects savings in the Underground Utility Program appropriation. There are two utility undergrounding projects, Saratoga Avenue Rule 20B and Jackson/Taylor Rule 20A/B, that are currently in design and will be constructed in 2006-2007. Funding had been included in the 2004-2005 Adopted Capital Budget for these projects and is recommended to be rebudgeted to 2005-2006 as part of this document. Projects are budgeted at the program level each year to underground utilities and electrical services to city owned facilities, i.e. streetlights and traffic signals, as In-Lieu Fees are collected per street frontage and programmed in a 5-year work plan.

The 2004-2005 ending fund balance ended the year \$1.5 million higher than the estimated level. The positive variance can be attributed to higher than anticipated developer in-lieu fees as well as expenditure savings mentioned above.

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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Water Utility Capital Fund

The Water Utility Capital Fund supports the Municipal Water System capital program. Monies in this fund are expended on the acquisition, construction, and installation of water system capital improvements. This system provides water service to the North San José, Evergreen, Alviso, Edenvale, and Coyote areas and are primarily funded through user charges.

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#### *Water Utility Capital Fund*

<i>(\$000s)</i>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 3,998	\$ 3,503	\$ (495)	(12.4%)
<i>Expenditure</i>	6,669	5,332	\$ 1,337	20.0%
<i>Fund Balance (est. *)</i>	2,581 *	2,787	\$ 206	8.0%

The negative revenue variance (\$495,000) resulted from lower than budgeted Advanced System Design Fees (\$250,000), Service Connection Fees (\$190,000), and Meter Installation Fees (\$121,000), partially offset by higher than budgeted interest earnings (\$66,000). Service Connection Fee, Advanced System Design Fee, and Meter Installation Fee revenues primarily recover actual cost to install new services.

Expenditure savings (\$1.3 million) occurred primarily due to the continuation of projects into 2005-2006. As part of the 2005-2006 Adopted Capital Budget, a total of \$588,000 was rebudgeted for the Taffy Drive Main Replacement (\$230,000), Remington Drive Main Replacement (\$180,000), North Coyote Valley Water System (\$175,000), and Water Management Systems Enhancement (\$3,000) projects; and \$50,000 of budgeted savings was reprogrammed to other projects. However, the Taffy Drive Main Replacement and Remington Drive Main Replacement projects did not achieve sufficient year-end savings to cover the original rebudget amount. As a result, budget reductions are recommended in this document for the Taffy Drive Main Replacement (\$12,000) and Remington Drive Main Replacement (\$12,000) projects.

Savings resulted in the System Maintenance/Repairs (\$135,000), Service Installations (\$125,000), Meter Installations (\$97,000) and Advance System Design (\$85,000) allocations. Expenditures in these categories, usually reimbursed by developers, were not needed in 2004-2005.

<p><b>2004-2005</b> <b>ANNUAL REPORT</b></p>
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## CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

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### Water Utility Capital Fund (Cont'd.)

Also included in this document is a recommended rebudget of expenditure savings of \$30,000 for the Reservoir Seismic Retrofit project to fund the continuation of this project into 2005-2006.

The positive variance in fund balance (\$206,000) was due to project savings, partially offset by lower than estimated revenues as described above.